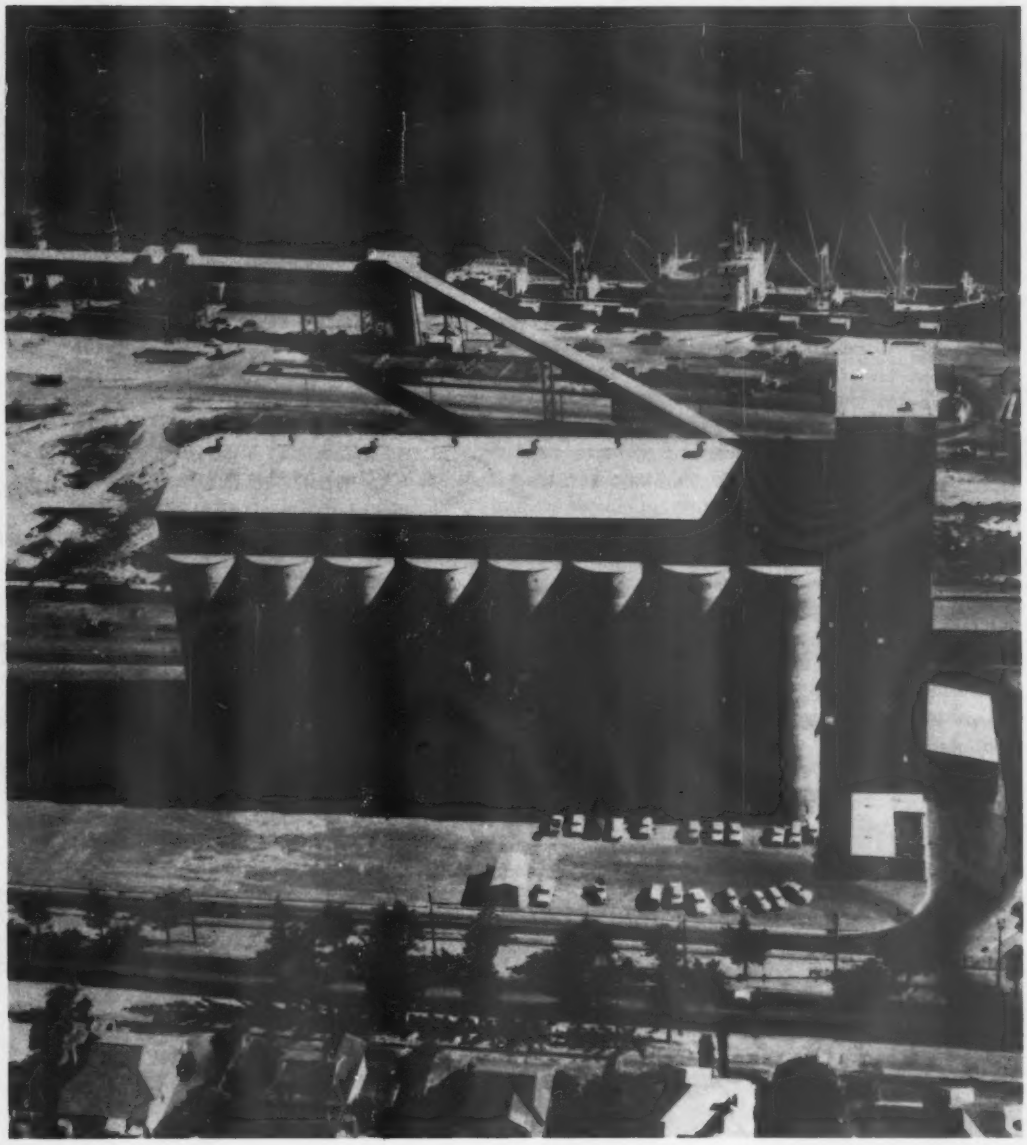
FOREIGN AGRICULTURE



Wheat silos, Australia

Australian Grains Rally

U. S. Cotton Policy

January 5, 1976

Foreign
Agricultural
Service
U. S. DEPARTMENT
OF AGRICULTURE

FOREIGN AGRICULTURE

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Bulk wheat storage silos and loading wharf at Geraldton, western Australia. The silos hold up to 2 million bushels for export. Australia's winter grains, including the important wheat crop, rebounded after a rather poor start this season. See article, this page.

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IN SPITE OF a very late, dry start, Australia's important wheat crop has apparently responded to midseason rainfall and good growing weather to recover to a higher level than anyone dared hope. The U.S. Agricultural Attaché, reporting from Canberra, now estimates Australia's wheat output for the 1975/76 marketing year (December-November) at 11.1 million metric tons or better, compared with earlier prospects for a crop of just 8-10 million. Other winter grains—barley, oats, and rye—appear to have benefited similarly from the improved weather.

Australia's better-than-expected wheat harvest also brightens the outlook for wheat exports this season. Should the crop come in at the projected 11.1 million tons, export availability could total 8.3 million tons—or even more if the crop is larger than it now appears. Australia's earlier fears that it would be unable to meet the needs of traditional customers have been quelled. In fact, the Australian Wheat Board, which markets all wheat, may now face problems disposing of the larger supplies, and could end the 1975/76 season with a sizable carryover.

The long spell of dry weather that initially distressed wheat farmers began as long ago as December 1974 and drought was particularly severe in southern wheat-growing regions. As a result, soil moisture reserves were very low by the time the May-June planting season arrived, and many farmers delayed seeding in hopes rains would begin. Other farmers planted, but in soils too dry to promote germinations.

Ironically, Australian wheat growers had counted on high returns from their crops this season. In view of strong world demand, the Australian Government took several steps to encourage production and thus deliveries to the Wheat Board. In March, quotas were suspended on deliveries to the Wheat Board. Then, first advance payments to producers were raised by 30 Australian cents per bushel to total A$1.50 (A$1 =US$1.31). The Australian Bureau of Statistics reported that 9 million hectares would be sown to wheat; by midsummer, industry spokesmen were suggesting that only 8.3-8.5 million hectares had been planted.

But in September and October, the gloomy outlook reversed abruptly. Farmers saw silver linings in the rain clouds that began to gather and the long dry spell was broken. Heavy rains at regular intervals nourished the developing wheat and virtually all areas reported that growing conditions were excellent.

> ***"Should the crop come in at the projected 11.1 million tons, export availability could total 8.3 million tons—or even more if the crop is larger than it now appears."***

In fact, in some areas of Queensland in in the northeast, end-October rains were overly heavy and some farmers suffered losses from sprouting and from hail and flooding. In November and December, farmers were looking for warm, sunny weather to maintain the quality of their crops.

As the harvest approached, the situation looked like this:

• In New South Wales in southeast Australia, wheat crops in the south had almost fully recovered from the drought and yields were reported normal or better. In central and northern regions, conditions were near-perfect, and many growers will harvest record crops. Area planted in New South Wales remains at 2.7 million hectares, and production of about 3.6 million tons seems likely.

• In Victoria, all wheat-growing districts enjoyed above-average rainfall during September and October after a late planting on extremely dry soil. The timely and adequate rains, combined with cool conditions, maintained crops well, and yields—even late-sown crops—are now expected to be only slightly below average. As a result, production will likely reach about 1.6 million tons.

• In Queensland, growing conditions were the best in years. Good moisture conditions prevailed until late October, when heavy rains caused some lodging and sprouting, particularly in Central Queensland. This may have reduced the crop by about 50,000 tons to an estimated 850,000.

• In South Australia, development of the wheat crop was significantly better than expected earlier in the season. Crops were about 4 to 6 weeks later in development than usual because of the late planting, but rainfall was adequate during the growing period, permitting excellent growth, and yields are only slightly below average. Production here is now forecast at approximately 1.1 million tons.

• In Western Australia, few crops suffered setbacks, and the situation was completely retrieved with intermittent rain and cool temperatures during October. As a result, yields are expected to be better than average. Crop estimates vary somewhat, with the Wheat Board estimate now at 3.7 million metric tons and some observers predicting a crop of over 4 million tons.

With Australian production estimated at 11.1 million metric tons and an expected stock reduction of 200,000 tons during the year, total available supplies of wheat for 1975/76 will be 11.3 million tons. Of this, 3.3 million tons are expected to be consumed domestically and 8.0 million tons are expected to be available for export.

The minimum desirable carryover would be 500,000 tons, while another 300,000 tons of wheat will be required for exports of flour. Accordingly, the volume of wheat available for export in 1975/76 is now set at 8.3 million tons or better.

Australian wheat shipments will hold at a high level in coming months, owing to the 1.5-million-ton sale to the USSR, 1 million tons sold to Egypt, and 1.5 million remaining under contract with the People's Republic of China. An "undertaking" with Japan guarantees at least a million tons will be shipped to that market during 1976, including 730,000 tons of Australian Standard White and 270,000 tons of Prime Hard.

Beyond this, however, the Wheat Board may be hard put to market large additional quantities. A Wheat Board delegation that recently visited Japan had hoped to negotiate an agreement for 1.5 million tons, but despite the offer of an outright guarantee by Australia, the Japanese preferred to continue the traditional 1-million-ton trade understanding.

The mission apparently had some success in Taiwan, where it reportedly negotiated an order for 105,000 tons for 1976. However, some of this was said to be wheat which had been contracted for 1975, but subsequently deferred. The delegation did not sell any wheat in South Korea, Hong Kong, or the Philippines. The Board may try to make more sales to the USSR early in 1976.

Australian barley production during the 1975/76 season is now forecast at approximately 2.4 million tons, with a decline in production in South Australia partly offset by increased output in Queensland and New South Wales. The outlook for oat production is also somewhat better than was expected on the basis of oat plantings. Excellent pastoral conditions reduced the need for heavy grazing of oats. Normally, 50-60 percent of the oats area is held for grain production, but in some States, this is likely to hit 70-80 percent this year.

Corn and sorghum planting, which follows the winter grains, is only just starting, and consequently, it is somewhat early to predict 1975/76 output. On present indications, plantings will be slightly higher than last year in both Queensland and New South Wales. However, moisture conditions are excellent and crops should get a good start, provided farmers are not hampered in their summer grain planting by late wheat and barley harvests.

Growing conditions are extremely favorable and normal rains during January and February would assure a better-than-average grain sorghum crop of about 950,000 tons. About 650,000 tons could be available for export in 1976/77, since the decline in the feedlot industry has reduced domestic demand to about 300,000 tons.

Australian rice production during the 1975/76 season is also expected to show a significant increase over the poor crop harvested this year. Planting is just beginning but area sown in New South Wales could increase further to about 75,000 hectares, and production could reach 475,000 tons of paddy. An additional 8,000 tons of paddy is likely to be produced in Queensland.

—Based on dispatch from
U.S. Agricultural Attaché
Canberra

AUSTRALIAN WHEAT AREA, YIELD, PRODUCTION, EXPORTS

Year beginning December 1	Area	Yield	Production	Exports[1]
	Million hectares	*Quintals per hectare*	*Million metric tons*	*Million metric tons*
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1970/71	6.5	12.2	7.9	9.1
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1973/74	8.9	13.3	11.9	6.8
1974/75, est.	8.3	13.5	11.3	8.6
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Philippine Coconut Output Soars, as Prices Tailspin

PHILIPPINE COCONUT growers have good cause to exult over this season's crop—one of the best ever—yet the bountiful crop, along with other bumper oilseed crops the world over, has added to a world oil oversupply that is causing oil prices to plummet to uncomfortably low levels. As a result, while Philippine exports of coconut products—copra, oil, desiccated, and meal—jumped 50 percent during first-half 1975, the value of exports plunged 19 percent, compared with shipments during the like period in 1974.

In an effort to maximize export earnings despite prices that average about half those of last season, Philippine exporters moved a total of 252,000 tons of coconut oil in first-half 1975, compared with a like 192,000 last year. For all of 1975, oil exports are forecast at 510,000 tons, 17 percent over 1974's, with the lion's share going to the United States, Western Europe, and Japan. Both the Soviet Union and the People's Republic of China also purchased Philippine oil in 1975—7,000 and 6,000 tons, respectively.

The Philippines is the world's largest producer of coconut oil—important in soaps, cosmetics, and foodstuffs. About 75 percent of all exports go to the United States, which is the world's largest importer of this oil. In the first 6 months of 1975, for example, the Philippines shipped 188,000 long tons (1 long ton=2,240 lb) of coconut oil to the United States, well above the 140,000 tons sent in this period of 1974. Traditionally, the Philippines is virtually the sole U.S. supplier of this vegetable oil.

Philippine crushing capacity has historically been well below copra production, making copra exports necessary. In recent years, however, capacity has expanded substantially—crushings in first-half 1975, for instance, increased 40 percent over that period last year to 560,000 tons. If crushings reach the projected 1.3 million tons, coconut oil production in 1975 could reach 832,000 tons, about a third of which may be consumed locally.

But in spite of the high crushing rate and record oil exports in 1975, copra exports headed for a rebound. Registered exports of copra during first-half 1975 totaled 309,000 tons—more than in all of 1975 but still 27 percent below the comparable 1973 period. No copra is headed for the United States—the last remaining U.S. copra crushing plant closed its doors last April—but a large quantity was sold to Western Europe and a much smaller amount to Japan.

Philippine exports of desiccated coconut and copra meal are also adding to revenues stemming from the versatile coconut. Exports of desiccated coconut, however, declined to 60,000 tons in the first 6 months of 1975 from 64,000 in 1974, largely owing to weaker foreign demand and the temporary shutdown of a large plant.

"The coconut industry is currently forecasting 1975 copra production at 1.9 million tons, 3 percent above the 1974 production of 1.4 million . . ."

Meal shipments, on the other hand were slightly ahead of those of the previous year. And copra meal is the only coconut product where average export prices did not dip sharply below the peak levels reached in April-August 1974, averaging $105.80 per ton f.o.b. for first-half 1975, compared with $92.84 averaged for that same period last year.

By comparison, the average export price of copra during first-half 1975 was $310.44 per ton, compared with $593.49 for the like period of 1974. For coconut oil, prices in the first 6 months of 1975 dipped to $488.45, compared with 1974's high $969.40. Desiccated coconut averaged $567.01 per ton, against $978.57 in 1974.

As a result of the sharp declines in world oil prices, Philippine foreign exchange earnings are expected to fall well below earlier anticipated levels. According to the Philippine Coconut Authority, the export volume of coconut products in January-June 1975 totaled 700,500 tons for a value of $237.3 million. In these months of 1974, aggregate volume was less than half this level, but earnings were $289.3 million —18 percent higher.

Although exporters are not reaping hoped-for profits from the burgeoning export volume, the lower prices relieved them of the burden of premium duties, initiated last February. Because prices of coconut products, except meal, have dipped below base prices set by the Bureau of Customs, Philippine coconut product exporters no longer must pay the premium tax.

Price declines have been even more pronounced in the domestic market. Oil millers in Manila, for instance, paid 59 percent less for copra during the first half of 1975 than this period a year ago. Crude coconut oil prices were also about 59 percent under the previous year's. At the consumer level, fixed retail price of cooking oil were reset to reflect lower prices.

Despite the price falloff, the coconut crop is booming. Weather conditions since early 1974 have been beneficial to coconut production. The number of bearing trees, particularly in the Mindanão area, has continued to climb. Yields are higher, since farmers have stopped harvesting immature nuts, a practice that was widespread in 1974 when prices were high.

Area expansion in fiscal 1975 is not thought to be as great as during the past few years. Unofficially, estimates place total hectareage as of mid-1975 at 2.25 million hectares, just 44,000 above the same period the previous year. The number of trees planted is estimated at about 340 million versus 334.5 million in mid-1974. The number of bearing trees is unofficially estimated at 270 million and total number of nuts gathered amounted to 8.6 billion versus 6.4 billion in 1973/74.

The coconut industry is currently forecasting 1975 copra production at 1.9 million tons, 3 percent above the 1974 production of 1.4 million. Unofficial estimates place copra production during first-half 1975 at about 900,000 tons versus the 553,000 tons of the same period in 1974. Production of desiccated coconut during the first half of 1975 totaled 21,337 tons compared with 25,253 tons for the same 6 months of 1974.

—Based on dispatch from
Office of U.S. Agricultural Attaché
Manila

Libya Accents Production Of Meat, Milk

By HERBERT H. STEINER
Foreign Demand and Competition Division
Economic Research Service

Holstein cows (above) and bull (left) on Guwea dairy farm near Tripoli. One of Libya's major goals is self-sufficiency in milk. To help attain this goal, Libya in 1973 imported $56 million worth of live animals, meat, and meat products.

ALTHOUGH LIBYA is pressing expansion of its agriculture, the volume of food imported into the country still outweighs the amount produced domestically.

The Libyan Government has alloted $785 million of its total 1975 development budget of $3.8 billion for enlargement of agricultural activities—nearly double the amount assigned the country's industrial sector.

One of Libya's major goals is self-sufficiency in important food items, especially milk and poultry meat. Large Government-owned production units have been established to expand output of sheep, goat, and poultry meat, milk, and eggs.

Although the bulk of Libya's trade is with the European Community, U.S. agricultural exports to this African country in the year ending June 30, 1975, increased to $22.4 million from the previous year's $8.5 million—mainly because of a rise from 2.3 million to 11.2 million pounds in the amount of tobacco shipped.

Libya's imports of flue-cured tobacco from the United States have been increasing gradually over the years with the country's expanding petroleum-based affluence, and in 1974/75 the value of such imports took a sudden jump from $2.9 million to $17.4 million.

U.S. rice exports, on the other hand, declined sharply from 7 million to 2.2 million pounds, reversing a long upward trend. In the 1974/75 marketing year, rice accounted for only $652,000 in export value, compared with $2.4 million in 1973/74.

The other major U.S. exports to Libya were oil cake and meal (mostly from soybeans), valued at $1.1 million; preserved fruit and fruit preparations, valued at $995,000; food preparations, $703,000; and crop and vegetable seeds, valued at $201,000.

Libya imported agricultural commodities worth $322 million in 1973. Wheat (220,000 tons) valued at $27 million and wheat flour (353,000 tons) worth $42 million were supplied by countries (mainly Italy) and Bulgaria. Egypt supplied the largest part of 76,000 tons of rice valued at $9.4 million.

Other major agricultural imports were live animals, meat, and meat products, valued at $56 million; dairy products and eggs, $31 million; vegetable oils, $29 million; fruits and vegetables, $35 million; sugar and honey, $22 million; animal feed, $21 million; tea, $16 million; and tobacco, $3.3 million.

LIBYA'S EXPORTS consist almost entirely of petroleum and its products. In 1973, 73 percent of these exports went to EC destinations, and EC countries supplied 56 percent of Libya's imports. Italy was the principal trading partner.

Agricultural production in Libya is held down by arid climate. Libya has about 6 million acres of arable and, but rainfall is so sparse and erratic that only a small part of this area is cultivated.

In 1975, about 300,000 acres produced 80,000 tons of wheat and 400,000 acres produced 100,000 tons of barley—crops that occupied 90 percent of the cultivated area. Other crops were olives, dates, tomatoes, potatoes, and oranges.

Two-thirds of Libya's cultivated area is in Tripolitania. In the coastal areas of Tripoli and in the Nafusah Mountains to the south, rainfall ranges from 8 to 14 inches annually, but large parts of Tripolitania have less rainfall.

Along the coast, rainfall is supplemented by irrigation from shallow wells. Wheat, barley, olives, almonds, and grapes are produced primarily on a dryland basis, while vegetables and citrus fruit are irrigated.

Another productive agricultural area lies in Cyrenaica—east of Benghazi—in the Jebel Al Akhdar and adjoining Barce plain. Rainfall ranges from 14 to 24 inches annually there, and the soils are heavier than in Tripolitania.

About 1.2 million acres of arable land that had been taken over by Italy in the 1930's are now part of a homestead project in which Libyans who farm the land receive title and financing. about 37,000 acres in the Barce plain section of this are planted to wheat.

Most farms in Libya are privately owned. Farmers may obtain interest-free loans. Prices of fertilizer, machinery,

pesticides, and concentrated feed are subsidized. Major crops are supported at relatively high prices.

In the 1974/75 marketing season, producer prices for olive oil were fixed in the range of $1.32-$1.49 per kilo. Consumer prices of meat, rice, flour, and sugar are subsidized, and the total cost of these subsidies in 1975 is about $355 million.

The Ministry of Agriculture helps farmers organize cooperatives, and the Government's ultimate aim is to have farmers, through cooperatives, determine Libyan agricultural policy. Membership in cooperatives totaled 47,000 in 1974—about 45 percent of all Libyan farm operators.

In the southeastern desert at Kufra, about 25,000 acres of irrigated alfalfa and cereals are the beginning of a series of similar projects that aim at irrigating several hundred thousand acres of desert with large quantities of water that lie in the geological formation far below the surface. The alfalfa at Kufra will sustain 260,000 sheep.

Sheep numbers in Libya have declined to about 2 million from 4 million 20 years ago. To reverse this decline and to increase output of meat, milk, and eggs, large Government production units have been established.

EIGHT DAIRY farms, each with more than 500 pure-bred West German Friesian cows, are in operation. Eleven more such farms are planned, and 5,000 dairy cows are to be imported from Argentina. Contracts have been signed with Denmark and the Netherlands for purchase of an additional 7,000 for about $3.4 million.

Two hatcheries were established in 1974—one in Tripoli, with an annual capacity of 4 million chicks, and one in Benghazi, with an annual capacity of 1 million. Thirty-two broiler plants with a total annual capacity of 1.1 million birds are in operation.

In April 1974, the first poultry slaughterhouse (capacity: 5.2 million broilers annually) began operation, and another, with a capacity of 2.5 million broilers, is scheduled to open in Benghazi.

Fifteen production units, with a total annual capacity of more than 6 million eggs, are to be established during 1975. These operations are heavily dependent upon imported feed. Libya's imports of feed were valued at more than $40 million in 1974.

U. S. Cotton Policy Outlined At International Meeting

By JOSEPH H. STEVENSON
Foreign Commodity Analysis, Cotton
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AN INTERNATIONAL forum seeking solutions to some of the challenging and difficult problems facing cotton-producing and consuming countries the world over convened in Abijan, Ivory Coast, in November. Delegates from 40 member nations who attended the 34th plenary meeting of the International Cotton Advisory Committee (ICAC) were particularly concerned with the crucial questions of price and supply stability in view of the rapid changes that have buffeted world cotton markets in the past year or two.

The U.S. position, presented by Kenneth E. Frick, head of the U.S. delegation, was strongly endorsed by most other cotton-producing nations represented at the meeting. Many of the U.S. viewpoints on stocks, pricing, and the free market system were included in the final statement approved by the delegates in attendance.

In addition to Mr. Frick, who is administrator of USDA's Agricultural Stabilization and Conservation Service, the U.S. delegation included the author, acting as alternate delegate, seven leading U.S. cotton industry representatives, and four U.S. Government delegates. Also attending were delegates and advisors from 40 ICAC-member countries, observers from eight nonmember countries, and observers from eight international organizations.

The statement adopted by the Committee called attention to the sharp decline in cotton production in 1975/76, at a time when it appears that the textile recession is bottoming out. Thus, the Committee agreed that a further reduction in production next season (1976/77) is undesirable. It is necessary, delegates felt, to maintain adequate working stocks, in view of climatic vagaries. To ensure that a reduction will not occur, a higher price level than at present seems necessary.

The Committee devoted considerable time to discussing the significance of price stability and the means by which it could be achieved. One such mechanism would be to establish an organized system of buffer stocks, as outlined in the integrated program of the United Nations Conference on Trade and Development. It was agreed that, in theory, international or national buffer stocks, properly administered and financed, and embodying realistic price provisions, could contribute to stability.

Most delegates felt, however, that the existence of such stocks would be price depressing and thus detrimental to producers. Technical and operational problems, including setting realistic price ranges and providing safeguards against overproduction, would be formidable.

Developing countries expressed a need for support from international financial organizations to avoid heavy pressures on their economies, should market conditions force them to hold excessive stocks. The Committee noted and welcomed the declared willingness of the World Bank and the International Monetary Fund to consider providing financial assistance for stock holding.

Both producing and consuming countries were overwhelmingly in favor of the present free marketing system for cotton, recognizing that this system tends to be largely self regulating. Most delegations also favored the mechanism of forward contracting as a useful marketing techniques in a free market.

Many also stressed the value of the sanctity of contracts and hedging facilities provided by futures markets and the support that they give to forward contracting. In forward trading, they concurred, there must be absolute assurance on the part of both buyer and seller that contracts will be honored, and there should also be an enforceable arbitration mechanism.

In other actions, the Committee endorsed the outstanding work of the International Institute for Cotton, and the general objectives of a study sponsored by the United Nations Development Program, the World Bank, and the Rockefeller Foundation, which proposes an expanded international pro-

gram of research and development for cotton.

Committee reports presented at the meeting included a seminar on insect control held by the ICAC research committee, a discussion of the status of extra-long-staple cotton, and a recommendation that reports on interfiber competition, competition with other crops, and production costs be continued during 1975/76.

During the closing plenary session the U.S. delegate, Mr. Frick, was reelected chairman of the standing committee. The Committee also accepted the invitation of the U.S. Government to hold the 35th plenary meeting in the United States in the fall of 1976.

The statement presented by the U.S. delegation, outlining the U.S. position on the issues discussed at the meeting, was as follows:

"THE UNITED STATES for the last several years has had a market-oriented policy under which the farmers, not the Government, decide whether or not to grow upland cotton and when and how to sell it. Our farmers now are free to grow as much upland cotton as they wish without having to pay marketing penalties as formerly, or they can grow as little upland cotton as they want if price and marketing prospects are not promising or if prospects are better for certain other crops. Under this program, production in the United States will react to demand in the future in accordance with the market situation.

"It is anticipated that the United States will continue to have a market-oriented program. Other cotton-producing countries should not expect that the United States will return to a program of high support prices and maintenance of residual stocks for the world.

"By allowing the market to rationalize our agricultural production structure with demand, we have no doubt that the United States will continue as a large producer of reasonably priced cotton for domestic and export markets. Government and private interests will continue to support and pursue efforts to maintain and expand markets at home and abroad.

"The U.S. Department of Agriculture continues to make loans to farmers—but at rates well below the world price—so that U.S. cotton farmers can compete freely in international markets. The United States does not want to be placed again in the position of being a residual supplier.

"U.S. farmers on their own account can and do keep cotton off the market, if they think they can sell for a higher price at a later date. The U.S. Government welcomes participation by mills, merchants, farmers, and others carrying stocks when such action appears economically desirable to them. However, Government-owned stocks of cotton have been at the zero level since March 1973.

"A number of new subjects involving cotton and other agricultural commodities have been put on the international economic policy agenda recently.

"In view of what has happened to cotton prices recently, it is easy to understand why some would hope that the price of cotton could be stabilized by means of an international buffer stock or other international arrangement directly affecting production, distribution, or prices. The International Cotton Advisory Committee (ICAC) over the years has had many discussions and has made a number of studies on this subject of price stability.

"As recognized by the ICAC Expert Group, which met in Washington, D.C., April 21-24, 1975, an international stocking scheme as a means of stabilizing cotton prices and ensuring continuity of supplies poses some formidable problems, particularly with respect to technical aspects and practical application or operation.

"World stocks of cotton have increased significantly during the past 4 years, particularly in the net exporting countries. On the whole, the net exporters have acted in a responsible manner in the holding and disposition of such stocks. It is very important and in their own best interest that they continue to do so, in view of the relatively weak demand that still persists in world markets.

"Most of the world economic changes are little influenced by cotton alone. Nevertheless, cotton can gain or lose substantially from these changes. The best long-term insurance the cotton producer and consumer have against loss from these outside changes is the ability to respond to the market.

"In contrast to the past, cotton is now much more sensitive to production of food and other crops that have increased in price and have become attractive alternatives for the farmer. This is especially true in the higher technology producing countries. Cotton importing countries should not necessarily assume that cotton will be produced in large volume every year regardless of economic influences.

"Forward contracting should be considered as a means to reduce risks associated with fluctuating prices. This is related to stable and orderly buying, which is important if the cotton industry is to have the efficiency needed. In order to assure adequate supplies, some countries are now willing to make buying commitments on food supplies for a period of several years in advance.

"One of the most important issues facing cotton will continue to be interfiber competition. Nations with an important interest in cotton should cooperatively strive for international policy actions that would benefit cotton, especially as it affects cotton's ability to compete with manmade fibers.

"IT IS THE POLICY of the United States to support appropriate research and promotion activities aimed at maintaining and increasing cotton consumption both at home and abroad. Expenditures by synthetic fiber manufacturers for the purpose of capturing valuable textile markets continue to be many times in excess of those in the interest of cotton. Many of us here are cooperating in a direct and positive approach to solving this problem through support of the International Institute for Cotton (IIC).

"In the last two seasons, the world of cotton has been shaken by many incidents in which international contracts calling for delivery of cotton have been broken. Such actions undermine the basic confidence between buyer and seller that has prevailed in the international cotton trade for many decades.

"If continued, they are bound to increase the cost of marketing cotton because it would increase the risk for both buyers and sellers and inevitably would reflect adversely, not only on the firms involved, but even on the countries they represent.

"The United States continues to view with concern the past and present difficulties in connection with international contracts. It supports the principle of the sanctity of contracts, and urges both buyers and sellers to live up to their pledges. The United States is willing and anxious to cooperate with others in finding ways and means of perfecting international cotton contracts and assuring performance under them."

India's Coffee Production And Exports Trending Up

By J. A. THADANI
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BOTH FORTUNE AND NATURE have smiled on India's coffee industry in recent years. The current absence of world coffee export quotas and several successive years of favorable growing conditions in India are chiefly responsible for substantial trendline gains in the country's coffee production and export trade.

World coffee export quotas were suspended in 1973, and the no-quota status is scheduled to continue through September 30, 1976, thus permitting India to maximize its coffee exports during this period.

Coffee is one of the principal plantation crops earning foreign exchange for India. Although India's coffee exports account for only about 1 percent of world coffee trade, they have represented about half of India's production in recent years.

The Government export target for coffee, set at 55,000 metric tons for the 1974/75 fiscal year (April-March), has already been exceeded. Exports during this period totaled 55,706 tons, valued at about $73 million, compared with 52,688 tons valued at $57 million in 1973/74 and 50,855 tons valued at $41 million in 1972/73.

The coffee production target of 100,000 tons called for in the fourth Five-Year Plan (1969/70-1973/74) is one of the very few commodity targets in the Plan that has been exceeded. Coffee output in 1970/71 totaled 115,000 tons, compared with the production target for that year of 85,000 tons.

Although coffee production in India has a tendency to fluctuate from year to year as a result of seasonal and other factors, the increasing upward trend in production is clearly discernible, and the industry continues to make remarkable progress.

Ten years ago, India's coffee production was barely adequate to meet domestic and export demand, but the era of surpluses now seems to have arrived. Area under coffee in India increased from 235,443 acres during 1951/52 to 361,751 acres in 1972/73. Production in this period increased from about 25,000 tons to 96,150 tons, and the yield from 234 to 586 pounds per acre. Acreage rose by 2.5 percent and production by 13 percent.

The increase in production apparently has been brought about more by intensive cultivation and adoption of improved production and better management techniques than by any appreciable increase in area. Coffee outturns in 1974/75 are estimated at the relatively high level of 102,000 tons, up from an earlier estimate of 95,000 tons.

The Five Year Plan's coffee production target of 115,000 tons by 1978/79 should not be difficult to achieve, given normal weather conditions and adequacy of other inputs. The Government has in hand several schemes for extension of coffee cultivation, particularly for areas not now under coffee. The importance of the industry to India's agricultural economy can be judged by the substantial contribution of well over $6 million that the coffee industry makes each year to the national wealth.

COFFEE in India is traded through the Indian Coffee Board, which has guided the industry through economic depressions and has promoted growth through increased production and exports. The Board markets coffee through a common pool, encourages sale and consumption of coffee in India and abroad, gives assistance to growers for development of coffee estates, encourages application of agricultural research, promotes technology for improvement of coffee quality, and provides welfare measures for workers on the coffee plantations. The industry's success is in no small measure the result of the continuing efforts of the Board.

Two commercial species of coffee—*arabica* and *robusta*—are grown in India. Cultivation of Arabica, which is preferred for its quality and taste, predominates. Area under cultivation totaled 217,708 acres in 1972/73 and production was about 65,000 tons.

The main growing regions for coffee in India are in the southern States of Karnataka, Tamil Nadu, Kerala, and Andhra Pradesh, with Karnataka having the major holdings or nearly 70 percent of the total area under coffee. Orissa and Maharashtra have little acreage under coffee.

Coffee in India is mainly a crop of small growers, some of whom work less than 1 acre. Out of a total of about 53,000 coffee estates, about 51,000 consist of 25 or fewer acres. Only about 2,000 are larger than 25 acres each.

There is close correlation between size of estates and yield per acre. Small growers' yields per acre are generally less than those of larger growers and production costs on the smaller estates are higher. The larger estates obtain higher yields as a result of more efficient management, and thus are more economical.

In the present era of coffee surpluses, the growing export demand for Indian coffee is a welcome development. This rise in demand is partly a reflection of preference for high quality and partly a result of promotional measures adopted by the Board. However, most of the present coffee exports are to countries with which India has bilateral trade agreements.

Communist countries were the largest single customer for India's coffee in 1973/74, taking 21,538 tons, and were followed by West European countries, which took 15,682 tons. The United States imported 6,507 tons, Canada 1,470 tons, and others took 4,832 tons, for a total of 50,029 tons.

Export prospects for the 1974/75 season are somewhat clouded because of changes in world coffee prices. Exports in October-December 1974 were already lower at 12,300 tons, compared with 13,884 tons in the same period a year earlier. The Board is making an allout effort to export more Indian coffee to take full advantage of the absence of quotas.

India's basic coffee export quota, as fixed by the International Coffee Agreement (ICA) in 1962, was 21,600 tons, which in the light of the country's potential as evidenced by performance in recent seasons is obviously small. India has been pressing strongly for an export

quota of 50,000 tons.

Instant coffee has not made much headway in India as yet. Only two of the country's three instant coffee processing units are operating, for a total active production capacity of about 2,000 tons per year. Exports of instant coffee—mostly to the Soviet Union—totaled 251 tons during 1973/74.

A disturbing trend in the Indian coffee industry is the slow rate of growth of domestic coffee consumption, which is lagging behind the rapid expansion in production of recent years. Despite continuing efforts by the Board, domestic consumption of coffee has not risen appreciably in the past several years and demand has remained almost stagnant.

Domestic consumption in 1964/65 was around 43,000 tons. It rose slowly to 45,500 tons during 1972/73, but the average of the past few seasons has remained constant at 43,000 tons.

With the domestic industry now producing crops averaging 90,000 tons or more and competition in exports from other large producing countries increasing, the quantity of coffee available for internal consumption will be increasing each year.

Unless quick remedial measures are taken, the industry is likely to face a serious situation in the not-too-distant future. Per capita consumption of coffee since 1965 has been constant at 0.07 kilogram per year. If the domestic industry is to survive, domestic consumption must increase at a quicker pace.

THE BEHAVIOR of coffee prices has been somewhat peculiar and contrary to the usual norms. The increasing production of a commodity generally brings its price down, but the case with coffee has been different. Despite the rising trend in production, the price of coffee in domestic markets has been rising steadily.

Another price peculiarity is that higher prices generally bring handsome gains to growers. However, in the case of coffee, growers claim to be badly off because of galloping increases in production costs.

A large number of growers in Kerala suspended operations and laid off employees in mid-1974 in protest against higher input costs and falling coffee prices. The fall in export prices has further exasperated growers, who are not as content as they were in calendar 1973 and early 1974 with their returns.

The Government is aware of the cost-price squeeze and is examining in detail the problems of the coffee plantations in order to determine "realistic" production costs—an action bound to push domestic coffee prices up still higher.

However, there is nothing much India can do to manipulate export prices, which are generally governed by world prices. These, in turn, are based on outturns in the large producing countries and their marketing policies.

With production rising and export prospects improving, the industry appears to be headed for better times. The profitability of the coffee estates has improved markedly, and the outlook for the industry in the years ahead is promising.

Soviets Promote Yeast For Livestock Protein

AS PART OF its drive to boost meat production, the Soviet Union is pushing output of yeast as a protein source for the livestock industry.

In August 1975, the *Ekonomicheskaya Gazeta*, the Soviet Union's weekly economic journal, detailed the Soviet farm sector's keen interest in yeast production for the livestock industry.

Although the Communist Party and the Soviet Government have staked a considerable amount of time, effort, and money on increasing meat consumption and improving the quality of the average citizen's diet, insufficient plant protein has limited expansion of the Soviet livestock industry.

A fairly severe "protein gap" exists in the Soviet livestock sector. It has been calculated that the 1970/71 deficit was equivalent to the protein content of about 10 million tons of soybeans, and as the Soviets have expanded the livestock sector since that time, the gap seems likely to have grown.

The Soviets have investigated various ways of bridging the protein gap, including increased production of protein-rich crops such as soybeans and high lysine corn and barley, as well as development of protein sources such as new varieties of lupines. However, any increase in output of soybeans and other protein-rich crops is limited by the amount of available land with suitable weather, while development of new crops, such as the lupines and high-protein barley, involves a considerable time lag.

Because of these limitations, the Soviets show considerable interest in developing nonplant sources of protein to supplement that available from agriculture. In the past few years, the Soviets have increased urea production capacity considerably, and recently signed a contract with a U.S. firm to purchase machinery for 20 production lines to manufacture a urea-based protein feed supplement. The Soviets are also expanding production of single-celled protein, including bacteria, algae, and feed yeasts. It is the feed yeast, produced under the direction of the microbiological industry, that has received prime attention in the Soviet press recently.

Soviet production of yeast and yeast-based feed supplements for livestock has increased considerably in recent years. The 1975 production goal is nearly 700,000 metric tons.

Yeast cultures for the production of feed protein, containing up to 50 percent crude protein, have been developed. The product has biochemical properties that compare favorably with fishmeal and is sold to the farms at a cost somewhat below that of fishmeal.

However, Soviet sources indicate that the selling price of 1 ton of digestible protein from feed yeast—about 1,120 rubles—is very high in comparison with that from other sources. By contrast, digestible protein in feed lupine costs 156 rubles per ton; grass from pasture, 200 rubles; and peas, 260 rubles. At the high end of the scale are fishmeal at 1,160 rubles and meat meal at 750 rubles per ton. In between are bloodmeal at 500 rubles and hay costing an average of 510 rubles. (For the first 9 months of 1975, the average commercial rate was 1 ruble=US$1.42.)

The cost of production and the selling price of feed yeast may be lowered as more effective and efficient production techniques are developed. If the price of protein from feed yeast can be reduced and production further in-

creased, it may become a very attractive alternative protein source for the Soviets.

To increase production of yeast and other protein supplements, investment in the microbiological industry tripled during the current 5-year plan (1971-75), compared with the 1966-70 period. The Soviets have brought on line in the past few years several new yeast-producing facilities, including the Novo-Gorkiy protein-vitamin-concentrate plant.

At the Novo-Gorkiy plant, apparatuses with a daily output capacity of 50 metric tons each have been installed. If they operate at full capacity, each should produce about 7,000 metric tons of digestible protein per year.

However, the Soviets complain that inefficient use is being made of available capacity and that new plants have been slow to implement technological advances. U.S. observers note that some facilities seem to have fallen into disuse.

Problems associated with the use of yeast-based feed supplements also exist. The yeast is expensive to produce at present, in comparison with other proteins. Animals do not care for the taste of some varieties of yeast, which can be quite bitter. However, the yeast can be treated—at additional cost—to eliminate this problem.

Certain aesthetic considerations arise from the fact that the yeast is usually cultured on either hydrocarbons, such as paraffin—a byproduct of petroleum distillation—or from industrial wastes, such as sulfite liquor—a byproduct of the wood-processing industry. In some countries, most notably Japan, this has led to consumer reluctance to purchase meat from cattle fed on petroleum-based yeast.

The extent to which yeast and other nonplant sources of protein can replace natural products—particularly oilmeals—is uncertain. Despite Soviet interest in and support of the processes, experimental and actual production of yeast remains low in comparison with requirements, and it is extremely unlikely that yeast alone will ever serve as the principal source of protein for the livestock sector. However, increased production of all nonplant sources of protein for livestock may help make up the future deficit between plant protein production and requirements, although it is unlikely to cover this food value deficit completely.

By JUDY GOLDICH, ERS

French Curtail, Shift Cotton Import Trade

THE FRENCH textile industry reduced its imports of foreign cotton by 7 percent last season, but continued to increase purchases of Soviet cotton—a combination of events that caused U.S. cotton exports to France to sag sharply. Although the French industry foresees some recovery in textile activity late this season, no immediate upturn in cotton imports is anticipated.

During the 1974/75 marketing season (August 1-July 31), France's cotton imports slowed to 990,000 bales (480 lb. net) from the previous season's 1 million, with imports of U.S. cotton slipping to 90,000 bales from 101,000. Takings of Soviet cotton continued to climb however, from 28,000 bales to 335,000—accounting for over a third of total imports.

Generally, the French textile industry in 1974/75 was buffeted by the same pressures that tended to depress imports in other cotton-importing countries. First, economic problems reduced textile consumption and squeezed credit so that heavy stock-building became uneconomical. Then too, French spinners and weavers encountered stiff competition from cheaper foreign textiles, which became even more competitive as the value of the dollar declined.

In 1974/75, French cotton imports from all countries except the USSR and Iran were hard hit by the decline in textile activity. Soviet cotton continued to be priced below most comparable growths, and efforts by Soviet traders to improve deliveries spurred imports. According to the trade, however, French use of Soviet cotton is lower than imports indicate, since the 70,000 bales France exported in 1974/75 were mainly from the USSR.

Some industry leaders are afraid that the growing imports from the USSR may make the French industry too dependent on one country for its supply. Even so, according to the cotton importers' syndicate, the Soviet cotton industry plans to pursue its efforts to sell more cotton to France in coming years and to improve its position on the French market as much as epossible.

Import forecasts for 1975/76 are difficult because of the present fluid situation in the cotton textile industry. But because of the expected low activity during the first half of the 1975/76 marketing season, total imports are unlikely to exceed last season's depressed level.

As in 1975/76, the largest imports will come from the Soviet Union, where France has already purchased between 180,000 and 230,000 bales. Imports from Africa are expected to be about stable. From Iran, imports are projected at around 70,000 bales and the relationship between French buyers and Turkish sellers, particularly Turkish cooperatives, is currently improving, so that future purchases from Turkey are likely to recover to earlier levels.

No cotton purchases have yet been made in the United States. U.S. cotton prices are judged too high by French buyers and not competitive with those of other exporters. Since July, U.S. prices have been 10 cents per pound over the average prices offered by other cotton exporters.

Thus, imports of U.S. cotton during the 1975/76 season will ultimately depend on the level of U.S. prices in coming months. In any case, imports of U.S. cotton for 1975/76 are unlikely to top 90,000 bales.

According to the latest statistics, raw cotton use by the French spinning industry during the first 10 months of 1974/75 was 135,000 bales below that of the previous season—a more than 10 percent decrease. Cotton yarn stocks were down to 13,000 tons from 19,000, but stocks of cotton woven goods were reportedly higher than last year.

The turndown is a direct result of the economic crisis, which reduced the consumption of textiles in France. The French textile industry was affected later than the industries in some other countries, however, since the decreasing trend began only during the last quarter of 1974 and then was accentuated during the first half of 1975.

Secondary effects of the economic crisis were also responsible. Imports of low-priced woven goods and clothing surged in France, aggravated by the declining value of the dollar vis-a-vis the franc. At the same time, exports of French woven goods skidded.

In spite of foreign competition, cotton has, until now, been affected less than

other textiles. During the first half of 1975, for example, uses of cotton by the spinning industry decreased 18 percent, while use of manmade fibers was off well over 20 percent.

As a result, the French manmade fiber industry now faces a difficult situation. The main French producer, Rhone-Poulenc, is currently working at 40 percent of its capacity.

A similar situation is depressing the French spinning and weaving industries. In May 1975, for instance, employment in the French spinning industry was 9 percent below that of a year ago, with total man-hours down by 26 percent. The textile industry—tightening its belt another notch—anticipates additional employment cutbacks in coming months.

ORDERS received by spinners reflect the gloomy situation. Currently, orders are running more than a third below last year's level, and the outlook for the remainder of the year remains uncertain. Judging by the first half of the marketing year, total cotton consumption is unlikely to exceed last year's by much. If marketing conditions improve by early 1976, however, consumption of cotton by the French industry could be around 1 million bales. If not, consumption will stagnate at about last season's 920,000 bales.

As a result of the near-critical situation, the French textile industry is urging the Government to take remedial measures, including establishing textile import quotas. To date, two actions have been taken, neither of which, say French tradesmen, have effectively stemmed the tide of imports. For one, technical visas are now required for textile imports. Also, legislation has been revoked that allowed exporters to freely import textiles representing 10 percent of the value of their exports. Currently, spinners and weavers are again actively petitioning the Government for quota restrictions.

One development that could help restrain textile imports is the increasing value of the dollar, which is making foreign products less competitive. Little relief is seen from this quarter before end-1975, however. Nor is domestic textile consumption likely to stage a recovery before early next year.

—Based on dispatch from *Office of U.S. Agricultural Attaché, Paris*

Australia's Cattle Problem: Low Prices, Larger Herds

AUSTRALIA'S livestock industry, harassed by the opposing economic forces of depressed world demand for meat and continuing herd growth, is looking hopefully for signs of improved demand.

Some Australian beef producers are merely holding on, wating for an upturn in the market. Others, less fortunate, are doggedly seeking a formula for survival.

Despite record levels of slaughter in Australia, cattle numbers rose 6.7 percent in the 6-month period ending March 31, 1975, to 33 million head. A further increase is anticipated, as the rate of slaughter is not expected to keep pace with the natural increase in herd size for some time.

Australian cattle prices are still depressed, although there has been some improvement in recent weeks. In real terms, cattle prices in Australia are estimated to have reached a record low level prior to the recent upturn.

Beef producers are resorting to emergency measures to help alleviate the severe income and liquidity crisis they now face. Some are seeking off-farm employment, while others are selling off record numbers of cattle—in spite of low prices—to obtain sufficient cash flow to meet business expenses and service their debt commitments.

Purchased inputs are being trimmed to the minimum. Some are seeking carry-on financing. Some, no matter what action they take, will not be able to hold out.

Beef and veal production during the first 7 months of 1975 rose 54 percent to a record 977,900 metric tons. Part of the sharp increase in marketings was a result of the severe drought conditions in many areas during the early winter months.

Although seasonal conditions have since improved, marketings continue to be heavy. Slaughter plants have been running near capacity, and beef production has been at about the maximum level that can be absorbed by the export and domestic markets.

Mutton production was up 40 percent during the first 7 months of 1975, compared with the year-earlier period, to 169,300 tons, while lamb output rose 15 percent to 142,000 tons.

Pork was the only red meat to show a decline. Output was down 11 percent to 100,400 tons.

Total red meat output during the first 7 months was a record 1.48 million tons —an increase of 40 percent over the year-earlier level.

Beef and veal exports during the first 7 months of 1975 were up 56 percent to 289,409 tons. Shipments to the United States during this period totaled 178,494 tons, which was about 62 percent of total beef exports.

Mutton exports were up 65 percent during this period, mainly as a result of heavy purchases by Japan. Lamb exports jumped from 3,283 to 15,286 tons, largely because of Mid-east buying.

Farm input costs have risen sharply in Australia during the past fiscal year. The Bureau of Agriculture Economics index of prices paid by farmers rose 33 percent. Superphosphate fertilizer, at nearly $A60 per ton, is now out of reach to livestock producers and very little will be used on the improved pastures. A survey by the Australian National Cattlemen's Council reports negative incomes for most beef cattle specialists.

GOVERNMENT aid to the beef industry thus far has been mainly in the form of carry-on financing. Funds totaling $A59.2 million have been made available. However, an estimated $A35 million remains uncommitted, partly because of delays in processing loan applications and partly because many potential applicants are not in a position to service additional debts. An Industry Assistance Commission is now seeking to determine what further short-term Government aid should be made available to beef producers.

There is some cautious speculation that there could be a gradual turnaround —but not a steady climb in prices—in the depressed Australian beef market in the months ahead. Japanese orders and the announcement of a sizable shortfall allocation in the U.S. market, along with an agreement with the unions permitting large exports of live cattle, have already

been reflected in a firmer tone in the cattle market. These developments have helped to keep some export plants operating.

It appears probable that many beef producers will be unable to survive economically without massive Government aid—and such assistance is not likely to be forthcoming. A recent survey by the Bureau of Agricultural Economics shows that even if prices return to the high levels of 1973, nearly half the 35,000 producers specializing in beef in Australia still would not be viable.

Widening marketing margins and rising farm input costs will serve to limit any significant gain in farm prices as well as any improvement in net farm income for some time to come. World beef supplies are still high, and all major importers continue to limit their orders. Improvement in the export market, when it comes, is likely to be gradual.

Seasonal conditions improved significantly between July and November, and this situation has helped to ease the rate of cattle marketings. Most pasture conditions have been normal or above average. However, any return to dry conditions—which some are now forecasting —would mean a return of heavy marketings and downward price pressure. Such a change could easily wipe out the recent gains in cattle prices. Many areas are still heavily stocked, leaving a narrow margin of safety if dry weather should hit.

Australia's total beef output in calendar 1975 is forecast at a record 1.7 million tons. The projected slaughter is 40 percent higher than that of a year ago, when producers were withholding cattle from the market in hopes of higher prices, and would yield an offtake of only about 27 percent—somewhat below the long-term trend of nearly 30 percent.

Producers began moving large numbers of cattle to market in the closing months of 1974, and continued heavy selling well into 1975. The high slaughter is expected to continue into 1976 and possibly longer.

In spite of this heavy slaughter, total cattle numbers are expected to increase by at least another 1 million head by March 31, 1976. With the current high female component in the herd, there is not likely to be any significant reduction in the total herd before 1979.

Beef exports in 1975 are estimated to be about 480,000 tons, product weight. While this total is 40 percent greater than that of 1974, it is considerably less than the 600,000 tons exported in 1973.

For the second successive year, more beef will be consumed at home than is exported. Domestic disappearance is estimated to be in excess of 900,000 tons (carcass weight equivalent), or about 55 percent of total beef output. In recent years, about 60 percent of total beef supplies have been exported.

The outlook for sheep meat—particularly lamb—is better than that for beef. Production of sheep meat was sharply higher in 1975, and export markets have been active. Lamb prices have been strong, and exports of lamb are expected to run well ahead of those of a year ago. Mutton sales to Japan and the Mideast also have been at levels higher than a year earlier, although at relatively low prices.

Live sheep exports to the Mideast are expected to be at least 1.5 million head in 1975. Sheep numbers on farms are expected to show an increase for 1975, but not as large as that of 1974.

Pork output is expected to be down about 10 percent for 1975. Retail pork prices have been under pressure from other meat, but producer prices have been strong. Higher feed costs are expected to keep pork output down for some time.

—Based on report from
Office of U.S. Agricultural Attaché, Canberra

Japan To Take 300 Ontario Hogs Per Week

Canadian hog producers have contracted to supply Japan with the meat from approximately half a million hogs over the next several years.

The Ontario Pork Producers Marketing Board (OPPMB), the marketing organization for all hog producers in that Province, has contracted to sell 300 hogs per week to Japan over the next 30 months at a price substantially below prevailing Ontario prices for hogs sold in the domestic market.

The sale represents about half of 1 percent of Ontario production, and is the first OPPMB has negotiated. It made its original offer to Japan about 1 year ago.

The contract is effective September 18. It includes a selling price of C$52.06 per hundredweight (cwt) (basis: index 100, dressed), whic his based on the calculated cost of production in a joint study by OPPMB and the University of Guelph.

Current prices at Ontario assembly points are more than C$30 per cwt higher than the negotiated contract price. OPPMB intends to check all production costs monthly, and the contract price is subject to adjustment every 3 months.

The weekly order of 300 hogs will be filled from all hogs marketed in Ontario. Under the present system of hog marketing in Ontario, prices for all hogs received are averaged each week. Individual producers receive the weekly average price for all hogs marketed by them during that week.

The contract price will be included in the weekly price pool. In the first week of sales to Japan, OPPMB estimated that the lower export price reduced the weekly pool price by 28 Canadian cents per cwt, dressed.

Ontario hog producers agreed to the practice of including export contract prices in the weekly price pool more than 1 year ago, when market prices were much lower. Industry officials generally agree that the contract will result in lower returns to all Ontario hog producers over its duration.

OPPMB justifies the lower export price on the ground that the sale of such a small percentage of production will have no bearing on domestic supplies or prices, and that the export contract will in the long run, help producers by opening the door to increased export opportunities.

In Alberta, the Hog Producers' Marketing Board reported the signing of two long-term contracts to sell hogs to Japan that are expected to return producers an estimated $41 million to participating hog producers.

Under one contract, about 75 producers will sell 360,000 hogs to Japan over the next 3 years. Another contract calls for a separate group of producers to supply 2,000 hogs per month for 24 months.

To allow for changes in feed prices, flexibility has been built into the selling price formula of both contracts. It is estimated that sales will return at least $100 per hog to Alberta producers delivering hogs under the two contracts.

—Based on report from
Office of U.S. Agricultural Attaché Ottawa

CROPS & MARKETS

—GRAINS • FEEDS • PULSES • SEEDS—

Drought Hits Argentine Corn, Sorghum. Below-average rainfall since early November is threatening corn and sorghum crops in Argentina. Corn may already be under stress, and if the drought persists through the latter half of December—the beginning of the corn flowering period—corn yields could be reduced. The harvested area in corn—currently projected at 2,778,000 hectares, up from 2,477,000 in 1974/75—also could be cut back. The drought has halted sorghum planting; however, some sorghum could still be planted if conditions improve.

Rotterdam Grain Prices and Levies. Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Dec. 23	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	(1)	(1)	6.22
USSR SKS-14	(1)	(1)	(1)
French Feed Milling [2]	3.62	+10	(1)
U.S. No. 2 Dark Northern Spring: 14 percent	4.98	+14	6.07
U.S. No. 2 Hard Winter: 13.5 percent	4.49	+ 1	5.88
No. 3 Hard Amber Durum	5.60	— 3	7.97
Argentine	4.22	+ 3	(1)
U.S. No. 2 Soft Red Winter	3.76	+ 6	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.02	+12	3.99
French Maize [2]	3.36	+14	(1)
Argentine Plate corn	3.53	+ 8	4.50
U.S. No. 2 sorghum	2.97	+10	4.01
Argentine-Granifero sorghum	4.01	+ 9	4.12
U.S. No. 3 Feed barley	2.92	— 3	3.87
Soybeans:			
Brazilian [3]	5.26	+32	(1)
U.S. No. 2 Yellow	4.90	+16	6.06
EC import levies:			
Wheat	1.22	0	0
Corn	1.06	— 7	0
Sorghum	1.02	— 4	0

[1] Not quoted. [2] Basis c.i.f. west coast, England. [3] May delivery. NOTE: Price basis 30- to 60-day delivery.

EC's Grain Price Proposal. Demand for feedgrain imports in the EC is expected to be dampened if the EC Commission's 1976/77 grain price proposal is implemented. Under the proposal, target and threshold prices for the principal grains would be increased by 9-9.5 percent. This boost, in turn, would mean an increase in variable import levies of $14-$16 per metric ton for wheat, corn, and barley. As a result of these increases, EC grain price would be about one-third above the 1973/74 levels. The proposed wheat and corn threshold prices would be equivalent to a U.S. farm price of $4.38 per bushel for wheat and $3.77 per bushel for corn, freight differentials taken into account.

The proposal is expected to decrease the need for market intervention. Grain price relationships would be revised. Intervention prices for barley, corn, and feed wheat are to be more closely alined. The intervention price for feed wheat is to be lowered, while the intervention price for bread-quality wheat would be placed on an optional basis. Raising threshold prices more than intervention prices would have this effect, as imported grains, taxed with higher levies, would tend to bid up prices further above the intervention level.

Japan Raises Wheat Resale Price. Japan's increase in the resale price of wheat—scheduled for January 20—will eliminate the current deficit resulting from reselling wheat below import prices. The resale price increase, from $148.17 per metric ton to $174.39, amounts to $26.22 or 17.7 percent.

At the current price of $159.50 for Hard Red Winter Ordinary, c.i.f. Japan, the Government is now losing $11.33 per ton. The new price not only will result in a net gain of $14.89, but with the country's big rice surplus will reduce the pressure to improve the balance between rice and wheat in the market. Japan has increased its rice resale price twice since the latest increase in the wheat resale price in December 1973. An increase in the wheat resale price scheduled for early 1975 was postponed.

Japan's new resale price of $174.39 per ton compares with the EC threshold price of $170.50. However, the Japanese price will be only about $15 per ton above the import cost as compared with the current EC import levey of about $45.

COTTON

World Cotton Prices Stronger. Rising world prices for cotton qualities suitable for spinning into medium-count yarns are mirroring earlier strength in coarse-count cottons. In the first 2 weeks of December foreign prices gained more than 2 cents a pound on average in world markets after showing almost no movement since last summer, according to five quotations considered indicative.

Comparable indicative U.S. prices continue to range well above those asked by foreign competitors. However, since December 1, foreign interest in U.S. growths has increased and some U.S. descriptions appear to be competitively priced. Foreign export offers are now more limited and sellers are reluctant to make forward price commitments. World supplies are now indicated below earlier expectations and growing signs that the world textile recession has bottomed out have prompted more confident textile industries in many consuming countries to enter the rising market to replenish low inventories.

French Textile Outlook Improving. A recent upturn in French retail textile demand may indicate a bottoming out of the severe textile recession that forced a 15 percent decrease in raw cotton consumption last season. Mill use of cotton in the first 2 months of the current marketing year fell 20 percent below that of a year earlier, just prior to the downturn. But a full recovery in textile activity, now predicted by the industry for spring 1976, could boost cotton consumption perhaps 8 percent above that of last season to around 985,000

bales. Imports of raw cotton in the first quarter of 1975/76 fell 6 percent below those of a year earlier, but are expected to pick up by the end of the year and could gain perhaps 5 to 10 percent over the imports of just under 1 million bales last season. The U.S. share in the first quarter declined more than 50 percent as U.S. asking prices remained uncompetitive, while imports from the USSR rose.

Turkish Cotton Production Down. Recent estimates place 1975/76 cotton production and area for Turkey at some 2.1 million bales from 1.7 million acres. This represents a 23 percent reduction in outturn and a 20 percent decrease in acreage compared with 1974/75. Low world cotton prices during 1974 plus reduced yields resulting from insect damage and late plantings were primarily responsible for these sharp declines. However, large 1975/76 beginning stocks of approximately 1.5 million bales will increase Turkey's 1975/76 total supply to a record level of around 3.6 million bales, 9 percent above that of last season. Cotton exports are expected to more than double to 1.5 million bales from those of last season as total registered export sales to be shipped in 1975/76 equaled almost 1.4 million bales through November.

FRUIT • NUTS • VEGETABLES

Mexico's Pineapple Output Up. Mexico's 1975 production of fresh pineapple is estimated at 262,000 metric tons, up 8 percent from 1974's. Favorable weather was the main factor behind the increase. The 1975 harvested area amounted to 8,375 hectares, and the States of Oaxaca and Veracruz accounted for about 60 and 37 percent of the 1975 tonnage, respectively.

Contract grower prices for the 1975 processing crop were set at about $48 per metric ton, an increase of 20 percent over last year's level. Currently, the price at the fresh market is nearly $80 per ton. This higher fresh market price is the pimary factor influencing the reduced canned output.

An estimated 60,000 tons of fresh pineapples were processed in 1975, down 20 percent from the 1974 level. Processing was dominated by two plants, accounting for about 67 percent of the total canning tonnage. The 1975 canned pineapple and juice packs were placed at 15,000 and 6,600 tons, down from a year ago by 20 and 18 percent, respectively.

Paralleling production, 1975 canned pineapple exports are expected to decline to about 13,000 tons, down from last year's total by 19 percent.

Expansion of the Mexican processing industry is unlikely at this time because of strong competition from the fresh market, lack of production planning, and general lack of technology.

Greece's Record Deciduous Fruit Crops. Production of fresh fruits in Greece during 1975 surpassed 1974 levels in varying degrees and all crops reached record levels. The increases are attributed to additional acreage, improved growing practices, and optimal weather conditions. Harvest totals for 1975 in metric tons and percent increase over 1974 are: Apples, 250,000, 25; apricots, 61,000, 2; plums, 19,000, 3; peaches, 301,000, 20; pears, 124,000, 40; sour cherries, 7,000, 8; sweet cheeries, 23,000, 19.

The number of new peach and apricot trees planted declined by 70 and 37 percent respectively from 1974 levels because of the Government's decision to eliminate subsidies—a decision reflecting satisfactory levels of output to meet domestic, processing, and export demand.

Average 1975 grower price for export and processing peaches was about $170.45 per metric ton—the same as the 1974 processing price. The 1974 grower price for export peaches was about $127.80 per ton. Grower prices for export apricots were equal to $184.70 per ton, up 30 percent from the 1974 level, while the processing apricot price remained at the 1974 level of $142 per ton. Grower prices for sweet cherries and plums were about $381 and $248 per ton, up by 12 and 64 percent, respectively, from 1974 levels.

Peach exports at 179,000 tons were 75 percent greater than in 1974, and apricot exports totaled 26,000 tons—16 percent more than in the year earlier. West Germany is the largest importer of Greek peaches and apricots, taking over 75 percent of Greece's exports of these fruits.

Greece is developing a 5-year plan to lower apple and pear output and to keep peach and apricot outturns steady.

Hops Crops in Japan, Yugoslavia, Spain. Production of hops in Japan during 1975 was greater than in 1974, but crops in Yugoslavia and Spain were smaller than in the preceding year.

Japan's hops production is forecast at 2,300 metric tons for 1975, a 10.9 percent increase over that of 1974. Growing conditions were favorable during the first half of the year, but bad weather during the summer caused some damage to the 1975 crop. Planted area decreased about 50 hectares, compared with 1974.

Imports of hops during the 1975/76 season are placed at 3,300 tons, compared with 3,433 tons during the 1974/75 season. The trend in Japan is for more imports of hops in pelletized or powdered form rather than dried and pressed. Japan does not export hops.

Domestic consumption for 1975/76 is placed at 5,700 tons, down slightly from the previous year's level of 5,800 tons. Producer prices for hops during 1974 averaged $6.31, a 44 percent increase in local currency terms over those of the previous year.

Hops production in **Yugoslavia** for 1975 is estimated at 5,200 tons, down 6.9 percent from the 1974 level because of rainy and cold weather during the blooming and maturing period, as well as to the reduced area harvested. Acreage, at 4,090 hectares, was also down slightly—in part attributable to the competitiveness of other crops, such as corn, wheat, and sugarbeets.

Exports during the 1975/76 season are expected to increase 1.1 percent to 3,900 tons, compared with the same period a year ago. Imports during 1975/76 are expected to reach 200 tons, compared with 250 tons during 1974/75.

Total consumption of hops by domestic brewers during the 1975/76 marketing year is placed at 1,750 tons, the same as in the previous year. Beer prices have increased sharply during 1975 and have resulted in stagnation in beer consumption. Average export price of hops during January-June 1975 was $2.23, compared with $2.15 in the same period of 1974.

Spain's output of hops for 1975 is estimated at 2,235 tons, a decline of 16 percent from the 1974 crop. The reduction is accounted for partly by storm damage in August and partly

by the removal of vines grown without authorization.

Imports of hops during the 1975/76 season (September-August) are forecast at 735 tons, or 16 percent higher than imports during the previous season. Exports are expected to be near zero.

Domestic consumption of hops during the 1975/76 marketing year is expected to reach 2,970 tons, up 3 percent over that of the previous year. After a period of sluggish demand during the 1974/75 season, beer consumption is expected to pick up because it is inexpensive relative to other beverages.

The Spanish Government recently issued a decree regulating the technical and sanitary aspects of brewing.

DAIRY • POULTRY

Finnish Cheese Exports Held Subsidized. The U.S. Treasury Department has made a preliminary finding that the export of cheese from Finland to the United States is subsidized by bounties or grants. This finding is a step toward the possible imposition of countervailing duties against such exports.

The possible eventual imposition of countervailing duties can be waived if the Secretary of the Treasury finds that the exporting country is taking steps to reduce the effects of the subsidy, if there is the possibility of international agreement toward reducing the subsidy, and if the imposition of countervailing duties would jeopardize the negotiation of such agreement in the future.

In the case of a similar finding of subsidies applying to the EC export of cheese to the United States, the waiver provisions were applied only after the EC agreed to remove subsidies from several specified types of cheese and to reduce sharply the payments on remaining types.

Export Markets Favored for Irish Butter. Differences between EC and domestic programs are leading 3 major Irish dairies to emphasize export sales of their butter output at the expense of sales on the domestic market. The dairies claim internal Price Commission policies prevent the passthrough of EC milk price increases, while the increase can be recouped by payments made on export butter. Sufficient overseas demand evidently exists.

SUGAR • TROPICAL PRODUCTS

Tanzania Begins To Export Sugar. Tanzania plans to export 36,000 metric tons of sugar in 1975/76. In both 1973 and 1974 Tanzania had to import more than 30,000 tons to meet increased demand. Annual production during the period 1964-1974 increased only from 61,000 tons to 115,000 tons. However, there are optimistic goals for producing 450,000 tons in 1980 and 800,000 tons by 1986.

The Sugar Development Corporation has plans to bring on stream by 1980 medium-sized operations at Kagera, Marwa, Nyatwali, and Tunduru. The Tanganyika Planting Company —the largest sugar company and the only one not owned by the Tanzanian Government—plans to expand output to 100,000 tons by 1978. The Cuban-aided Mgeta sugar scheme is off to a fast start, and should be producing in 2 or 3 years. Sugar production units in Tanzania are small- to medium-sized and are scattered across the country. They cannot, therefore, achieve the economies of scale that production projections might suggest.

While some observers believe the sugar goals are overly optimistic, there will be opportunities, nevertheless, for U.S. suppliers of machinery and equipment used in growing and processing. At present, very little molasses is processed locally and expanded sugar production could offer related industrial possibilities, such as manufacture of alcoholic beverages, industrial alcohol, and cattle feed.

OILSEEDS • PRODUCTS

Copra Mill Starts in Mindanao. A copra crushing mill previously in use in San Francisco, California, has begun operating in Iligan City, Mindanao, the Philippines. The Granexport Manufacturing Corporation bought the mill when copra crushing stopped in the United States.

Several pieces of new equipment have been added, and the design of the mill has been modernized for improved efficiency The crushing capacity of the mill is now 500 metric tons of copra per day.

TOBACCO

Japan's Cigarette Prices Jump. Retail cigarette prices in Japan went up 48 percent on December 18, about a year after the tobacco monopoly's price proposal was submitted to the Diet for approval. Leading brands now sell for the equivalent of about 50 U.S. cents per pack.

Smokers for some months have been stockpiling cigarettes in anticipation of higher prices. Sales therefore are expected to slump sharply in the weeks ahead, but recover and be back on trend by midyear.

Cigarette consumption in Japan has risen rapidly in recent years, and Japan in fiscal 1975 became the leading export market for U.S. tobacco, taking products valued at more than $166 million.

CORRECTION: "U.S., USSR Set Plans for 1976 in Agricultural Cooperation," December 22, 1975, issue, page 4: The United States and Soviet Union will exchange some 30 teams during 1976. Final agreement is still pending on the Sunflower Production/Vegetable Oil Consumption team, which will not be on an experimental receiving-side-pays basis.

Other Foreign Agriculture Publications

- Canned Fruit: World Production and Trade Statistics (FCAN 6)
- World Cotton Situation (FC 17-75)
- Jute and Kenaf Production Down in 1975/76 (FVF 3-75)
- World Cigarette Output Sets New Record, But Rate of Growth Has Slackened (FT 5-75)

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World Weather Watch

As of mid-December, dry weather was threatening crops in Argentina and in the northern Philippines. Crops have benefited from snow in the USSR, and from rains in South Africa and the Mediterranean area. Wet weather at harvest has taken an additional toll of Brazilian wheat but it helped summer crops.

General. The Argentine spring has been quite dry in northeastern Buenos Aires Province and adjacent Santa Fe, while precipitation has been mostly adequate in the wheat crescent. Temperatures have been a little cooler than usual. In Brazil, November and the first half of December were much wetter than normal in the central and southern regions while drier than normal in the Northeast. Temperatures were about normal. Central America and many south Caribbean Islands benefited from substantial rain during the same period.

Late spring and early summer rains have eased dry conditions in South Africa's maize triangle and only a few dry spots remain. Heavy rains, due mostly to tropical disturbances, drenched Australia's north and northwest regions. November and early December have been drier than normal in the important southeast interior after an exceptionally wet October but the area was drenched again by rain in mid-December.

Heavy rains in India's States of Andhra Pradesh and Tamil Nadu relieved shortages of storage water and improved soil moisture. Unlike most of India, these States depend on substantial fall rains. Much of the remainder of India also experienced above normal rainfall, though amounts were seasonally low.

Crops in the northern Philippines are beginning to suffer from lack of rain. In contrast to last fall, few typhoons engulfed the area this season.

In the People's Republic of China (PRC) November was drier and warmer than usual over much of the plains of northern China and Manchuria. Temperatures were below normal in the south with average rainfall, except in the southwest, which was wetter than usual. Dry weather has continued in the Manchurian Plain and adjacent Hopeh Province.

Most Mediterranean countries received good rains in November and early December. Rains were especially good in Algeria, Tunisia, Italy, and Turkey. There was rather generous rainfall in mid-December in Spain, Morocco, and Portugal.

Elsewhere in Europe, including the USSR, November precipitation was mostly less than normal except for Bulgaria, Romania, Moldavia, and parts of the southern Ukraine. December storms have brought much needed precipitation to the USSR and no harmfully low temperatures have been experienced.

Crops. Harvest of winter grains is advancing well in most of the Southern Hemisphere, assisted by relatively dry weather in Argentina and much of Australia. Harvesting was impeded somewhat by heavy rains in Brazil and in some spots in Australia. In Brazil, the rains were needed to start summer crops and to rejuvenate pastures and orchards, but the dry weather in much of Argentina's corn belt was beginning to cause concern. Although tardy, South Africa's rains brought considerable relief to crops in general and to corn in particular. Frosts reduced wine grape prospects in Chile by about 20 percent.

The post-monsoon rains in India benefited winter-grown crops without being harmful to harvest activities. In southeast India, an area often untouched by the summer monsoon and very dependent on October-November rains, heavy November rains restored water reserves and boosted prospects for tobacco, rice, and tea.

In the PRC, rains in October and early November coupled with moderate temperatures maintained generally favorable soil and crop conditions in the South. Except for Hopeh Province, there is good soil moisture for winter grains in the North China Plain. The first real cold snap of the season came in early December along with snowfall to provide crop protection in most of the region.

Winter grains received a much needed lift from November-December rains in most of the Mediterranean region.

In other parts of Europe low soil moisture persists, particularly in the Baltic region and the USSR. December storms improved conditions generally and added snow protection across much of the Soviet winter grain area. The dry Crimea also received good precipitation, although much more is needed. As of mid-December, temperatures had not been too low for winter wheat, but much winter grain in the USSR is weak and would be particularly vulnerable to cold, should snow cover diminish.

—By William J. Cremins, FAS

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